



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

INDIA'S CASE FOR SILVER.

BY A. S. GHOSH, PROF. OF ECONOMICS, CALCUTTA UNIVERSITY.

EXPERIENCE has taught us that the monetary policy of a nation which, because of its industrial activity or the size of its population, is an extensive user of the precious metals, often produces effects, for better or for worse, far beyond the zone of its political power and influence. During the first fifty years of this century the total production of silver in the world was about 27.6 times that of gold, whereas during the next twenty years, owing to the enormous gold discoveries in California and Australia, the "weight ratio" of silver production to that of gold fell to about 5.3; yet, during all that time the Latin Union was enabled by its bimetallic system to maintain an unvarying ratio of $15\frac{1}{2}:1$ throughout Europe. Again, in 1873, the course of Germany in demonetizing silver caused the suspension of the Latin Union, and thereby accelerated the fall in the value of silver. Finally, in 1890, the enactment of the Sherman Act in the United States produced the immediate effect in India of raising the exchange value of the rupee from 1s. 4½d. to 1s. 8d.; and conversely, in 1893, the closing of the Indian mints to the free coinage of silver led to, or at least hastened, the repeal of the Sherman Act in America, and helped to accentuate those conditions which nearly brought about Mr. Bryan's election last year.

At the present moment, then, the two countries which are most vitally concerned in the solution of the silver question are the United States and India. To the former it is a question of general prosperity and happiness, and of national advancement; to the latter it is a question of life and death. It will, therefore, be interesting and profitable to the great American people, perhaps, to study the position of India in the matter, and to understand what co-operation she may be expected to give if Senator

Wolcott's mission be attended with success ; otherwise, if Mr. Bryan be able to fulfill in 1900 the hopes he has raised ; or to anticipate what India may do, even single-handed, in sheer desperation, if the present famine is prolonged, as it now threatens to be, beyond human endurance.

Let it not be supposed for an instant that the closing of the mints of India was the act of the Indian people, or even of the Indian government. It was the act of the home authorities in England, the supreme controllers of the destinies of India. For the last twenty years the continuous depreciation of silver had entailed on the Indian government a continuous loss in remitting the home charges, an amount which varied from £16,000,000 to £19,000,000 per annum. Fresh taxations, loans, the appropriation of funds intended for other purposes—in fact, every makeshift to which an embarrassed government could resort—had been tried with little avail, when about the time of the Brussels Conference the Indian government in despair implored the home authorities to permit it to enter into some arrangement with the United States, where the Sherman Act was still in force, to establish a more stable equilibrium between gold and silver. But England remained deaf to the cry of the Indian government. It was said that the cry for silver was but the cry of interested American mine owners—notwithstanding the fact that the British Empire alone contained more silver than the capitalized value of all American silver mines, because there were in India silver hoards amounting to 1,300,000,000 ounces ! In consequence the home authorities compelled the Indian government to close the mints as an alternative. This was done at a stroke of the pen, and without notice to the people. It was one more sacrifice to the golden calf of England's monometallism.

Now, the people of India have been accustomed from time immemorial to hoard their savings in silver, the system of banking being hitherto unknown in the country. Their usual plan is to convert rupees into bangles, armlets, bracelets and other simple ornaments which require little workmanship. In times of distress, and so long as the mints were open, as for instance during the famine of 1877, these ornaments were taken to the village silversmith, who gave full value for them, weight for weight, in rupees, deducting a small commission for his labor. These ornaments were ultimately taken to the mints, but in the interim

they often passed current as legal tender money, both parties to each transaction knowing that they could be converted at the mints into rupees at any moment. The government, however, closed the mints in 1893. In consequence, the Indians find that what they had hitherto looked upon as practically legal tender money is now no more than a mere commodity—a commodity for which there is but a limited demand, especially at a moment of universal distress. It is indeed difficult to estimate with any degree of accuracy the resulting loss to the Indian people, for many economic factors must necessarily enter into such an investigation; but we are in a position to form some idea of the magnitude of this loss by means of a simple arithmetical calculation. Taking gold as a common denominator, the bullion value of silver is now only 24d. per ounce, whereas the value of a coined rupee is about 1s. 3½d., which gives a rate of 40½d. per ounce of the silver in it. Hence, the difference between the face-value and the bullion-value of the rupee is as 40½ to 24; that is, the bullion-value is only three-fifths of the face-value, which fact implies a loss of two-fifths, or 40 per cent., to the people of India in selling their silver hoards for coined rupees. But owing to the recent rapid fall of silver and the grave apprehension and uncertainty felt as regards its future position, the silver dealers in India are charging at least an additional 10 per cent. (besides their usual commission) to cover all risks. Hence the total loss to the people of India is about 50 per cent. of their savings. This is a question of such momentous importance at a time of national calamity that it will be necessary to revert to it again.

This, then, is the present condition of affairs in India—half the savings of her people confiscated by the closing of the mints and her exchequer impoverished by the loss in exchange. Let us now consider what it would be if silver were restored to its former value or thereabout (the mints being reopened *ipso facto*), and, consequently, if the exchange value of the rupee improved proportionately.

In remitting the home charges the Indian government loses every year a sum varying from 100,000,000 rupees to 150,000,000 rupees, according to the amount of those charges and the current rate of exchange as compared with the former value of 2s. per rupee—the sum total of loss during the last three years (*i. e.*,

since the closing of the mints) being 392,000,000 rupees, or an average of 130,000,000 rupees per annum. Hence this amount would be saved to the taxpayers of India were the rupee to be raised again to 2s., or a somewhat less amount if the rupee did not rise quite so high. Let us consider the details of this calculation. The home charges may be reckoned at a yearly average of £17,500,000, and the rate of exchange at an average of 1s. 2½d. per rupee for one financial year. With these figures we shall consider the saving in each of the three following cases, viz., if the rupee rose to 2s., to 1s. 9d., and to 1s. 8d., respectively :

£17,500,000 @ 1s. 2½d. per rupee	=	Rs. 290,000,000
£17,500,000 @ 2s.	=	Rs. 175,000,000
£17,500,000 @ 1s. 9d.	=	Rs. 200,000,000
£17,500,000 @ 1s. 8d.	=	Rs. 210,000,000

Hence the saving :

(1.) @ 2s.	=	Rs. 290,000,000	—	Rs. 175,000,000	=	Rs. 115,000,000
(2.) @ 1s. 9d.	=	Rs. 290,000,000	—	Rs. 200,000,000	=	Rs. 90,000,000
(3.) @ 1s. 8d.	=	Rs. 290,000,000	—	Rs. 210,000,000	=	Rs. 80,000,000

But this is not the only possible saving to the Indian government. Apart from the home charges, there are two other items of expenditure which entail a heavy loss on the Indian government owing to the fall in exchange. The salaries of the 72,000 British troops stationed in India are paid in pounds sterling, and not in rupees. Hence, the resulting loss to the government is about 11,343,000 rupees (for the financial year 1894–95), or, say, 10,000,000 rupees in round numbers. Moreover, all British employees of the Indian government, whether civil or military, whose salaries are reckoned in rupees, receive a compensation from the government for any fall in exchange below 1s. 9d. The resulting loss to the government amounted to 12,392,750 rupees in the year 1894–95, or, say, 11,000,000 rupees. Hence, the total loss in India, that is, apart from the home charges, is about 21,000,000 rupees per annum. Consequently, a restoration in the value of the rupee would save this amount to the taxpayers of India. As a sufficient allowance has already been made in reducing this amount, and as the maximum value of the rupee has been taken at an average of 1s. 9d., we need not consider any other variation in the amount, but treat it as roughly constant for our argument.

Hence the total annual saving to the Indian government in each of the three cases mentioned above is the following :

- (1.) = Rs. 115,000,000 + Rs. 21,000,000 = Rs. 136,000,000
 (2.) = Rs. 90,000,000 + Rs. 21,000,000 = Rs. 111,000,000
 (3.) = Rs. 80,000,000 + Rs. 21,000,000 = Rs. 101,000,000

Now let us consider what amount of taxation might be remitted if this saving were effected. In the financial year 1894-95 the total Indian revenue was 951,874,000 rupees. Of this sum the three items which usually press most heavily upon the taxpayers, especially the poorer and the lower-middle classes, are the salt tax, the income tax, and customs. The net amounts obtained from these sources, after deducting the costs of collection, were in 1894-95 :

Salt tax.....	Rs. 81,670,000
Income tax.....	Rs. 17,780,000
Customs.....	Rs. 36,800,000
Total.....	Rs. 136,250,000

Salt Tax.—In India salt is a government monopoly, as it was in France before the Revolution. The effect of the monopoly is to raise the price to the consumer some 2,000 per cent. above the free market price. This is a heavy burden on the poorer classes, whose daily meal invariably consists of a handful of rice, or some other grain, flavored with a little salt. The government preserves its right to this monopoly by the most stringent laws, as was also done in France before the Revolution. The writer has personally met with a few cases where some famine-stricken people utilized a little salt scooped out of the sand on the seashore after the tide had receded, in order to cook some wild vegetables gathered from the jungle. For this crime a fine of two rupees was imposed by the magistrate, or a short term of imprisonment as an alternative—the latter being joyfully preferred by the delinquents as being at least a guarantee against starvation. The government, however, has agreed to repeal this tax when its finances are in a less distressing condition.

Income Tax.—This is a tax on incomes from all sources at the rate of 4 pies in the rupee (*i. e.*, in the same proportion as 5d. in the £) on incomes between 500 rupees and 2,000 rupees per annum, and at 5 pies in the rupee (*i. e.*, as 6½d. in the £) on incomes of 2,000 rupees and above. This tax is understood to be only a temporary measure, rendered necessary at present by the critical financial condition of the government. It presses very

heavily on the lower-middle classes because of its low incidence.* Even if this tax were retained, but its minimum limit of incidence altered to an income of 1,000 rupees per annum or thereabout and the rate increased on a sliding scale for the higher limits, the same amount of net revenue might be obtained, because the cost of collection is proportionately greater in the case of small incomes than of large. If, however, the former change be carried out without the latter, the remission of tax would almost amount to 8,000,000 rupees.

Customs.—This is a duty on *all* imported goods at an average rate of 5 per cent. of their value—except certain commodities which come under sumptuary laws, and which are reckoned at a higher rate. If the latter alone were retained and the new custom duties repealed, so that the *status quo* of 1893–94 were restored—because the change is declared to be caused by the present embarrassment of the government—the net revenue derived would be (as in 1893–94) about 15,385,000 rupees, *i. e.*, there would be a remission of 21,415,000 rupees.

Hence, to sum up, the remission of taxation desirable is—

Salt tax (totally).....	Rs. 81,670,000
Income tax (partially).....	Rs. 8,000,000
Customs (partially).....	Rs. 21,415,000
Total.....	Rs. 111,085,000

It will therefore be seen from the list of total possible savings to the Indian government in the three cases mentioned above, that :

(1.) In the first case, the saving would be effected completely, with even a margin of about 25,000,000 rupees, which might advantageously be employed in irrigation and other works as safeguards against future famines.

(2.) In the second, the saving would just be effected.

(3.) In the third, the remission suggested above would cause a deficit of about 10,000,000 rupees. This amount, however, could be made up by a suitable variation in customs (*e. g.*, by retaining a few goods used solely by the upper classes), or even by means of the suggested graduation in the higher limits of the income tax.

It will consequently be apparent that a restoration in the

* No evidence to prove the general poverty of India could be stronger than the fact that this tax realizes only 17,780,000 rupees in British India among a total population of 221,000,000.

value of silver would be highly beneficial to India. Some are, indeed, inclined to argue that, notwithstanding the present heavy burden upon the taxpayers of India, the depreciation of silver is really to the advantage of the country, inasmuch as it helps to develop her infant industries by acting as a protection. Now, it must be noted that the chief productions of the country are agricultural, whereas the industries thus benefited are manufacturing, and therefore very small in comparison with the rest. Also, these industries are almost exclusively worked by English capital, and therefore primarily benefit Englishmen at home, or Englishmen in India who return home with their savings. This capital, no doubt, gives some employment to Indian labor, but that benefits only an infinitesimal portion of the whole population. Moreover, this protection does not benefit the consumers of the goods protected, because, according to the laws of economics, the prices of these goods manufactured in India are raised in proportion to every rise in the prices of similar goods which are imported. Finally, even granting this argument of protection to be sound in itself, it can only be applied to a free country and not to one in the position of India, which, as a dependency, has to meet a heavy tributary burden in the shape of home charges.

It will accordingly be admitted that the proposed restoration in the value of silver is absolutely to the advantage of India. But how can this restoration be brought about? I would venture to maintain that the United States and France, the two countries which are the most earnest and the most powerful advocates of this cause, are quite able by joint action to restore silver to its former value, provided they receive some co-operation from other countries. England need not give up her gold standard—if she still loves it not wisely but too well. Hitherto, she alone has blocked the way and acted as the dog in the manger; but the time is at hand when she will be compelled to yield some co-operation to the cause of bimetallism, even in the interest of her own Empire; nay, even in furtherance of that selfishness in the blind pursuit of which she has brought things to such a pass in the most populous portion of that Empire. But she is not asked for much; she is only requested, in the event of a bimetallic agreement between the United States and France:

(1.) To offer facilities for a greater use of silver in the British Isles, and

(2.) To reopen the Indian mints to the free coinage of silver. The former she may easily do by :

(a.) Making silver legal tender to a higher amount than 40s., say to 60s. or 80s.

(b.) Making silver an alternative basis for notes, and, if necessary, by lowering the present minimum value of notes from £5 to (say) £3 or £1.

(c.) Compelling the Bank of England to hold at least one-fifth of its reserve in silver (which it is at present legally empowered to do).

(d.) Giving more play to silver by withdrawing from circulation the half-sovereign, a coin which entails a substantial annual loss on the nation by its greater wear and tear and the facility it affords to the practice of dishonesty, besides having the disadvantage of being easily lost by its owner.

As for the reopening of the Indian mints, if the proposed international agreement helps to maintain the free coinage value of the rupee at a higher rate than 1s. 4d.—which undoubtedly it must—then it would obviously be to the advantage of the Indian government to adopt this measure. It is, indeed, true that it is not to the interest of London bankers and their allies that the present state of things should be changed, and recent events have shown that every loss of the starving taxpayers of India is their gain. Now that the mischief of closing the Indian mints has been done, and the people of India have suffered, some irreparably, and the result aimed at has been reached, viz., the shrinkage in the volume of the Indian currency, it passes all human understanding to know why the authorities still take less than the full legal value of the rupee (1s. 4d.) in the sale of India Council bills. During the first six months of this year the stringency of the Indian money market was so great that banks in India were refusing to give loans at 10 per cent., even on government securities, and consequently the authorities might have sold India Council bills to English bankers who had to make remittances to India at even a small premium above the legal rate of 1s. 4d. per rupee. But during all that time these bills were offered at an average rate of 1s. 2½d. per rupee, thereby conferring a clear profit of over 10 per cent. on English bankers as a free gift, at the cost of the famine-stricken people of India. Whether this fact argues the incompetence or the callousness of

the authorities, is immaterial ; it is at least one more proof that the interests of India are ever sacrificed on behalf of every class in England which has any influence with the authorities.

But the time is at hand when this shall no longer be possible. The Indian famine is not yet over, nay, it is worse than it ever was before. The number of people engaged in relief works has swollen to 4,000,000 per day, and the rains have again failed this year. There is general disaffection in India, bursting forth here and there into open hostility. If the famine and the plague had not come, perhaps the people would not have realized to the fullest extent the significance of the closing of the mints. These, however, are the very misfortunes which have compelled them to bring out their hoarded savings to reconvert them into rupees; and for the first time they have realized that, without their knowledge, the government has reduced those savings to half their original value. As yet the people have taken no action; their leaders have not yet taken up this question. But the time is fast approaching when they will, and the news will spread from bazaar to bazaar, from village to village, from hamlet to hamlet, that while the government was avowing to help them in their misery, it was confiscating without their knowledge half their wealth. The Indian people do not argue; they believe implicitly what is told to them; consequently they will learn that the government which they have so long deemed to be parental, and in their simple tongue have called *ma-bap*, is but a step-parent.

Eminent Englishmen have challenged the world to gainsay their proud vaunt that England was, like a second Providence, ever watching over the destinies of the 300 millions of India with a transcendental altruism without parallel in the history of righteous and capable rule ; that the guardianship of India was committed to England for divine purposes, and that she ruled over that country for the sake of the Indians first, and for revenue and reputation and power afterwards.* We have long been in search of the lineal descendants of the Pharisee who went up into the temple to pray, and we must now confess that the rightful claimants to that proud heritage of nineteen centuries have at last made good their claim. England, however, is not called upon to exercise her usual magnanimity, generosity, and righteous-

* **THE NORTH AMERICAN REVIEW**, March, 1897.

ness—these she may well reserve for more fitting occasions ; but she is requested to consult the interests of her own Empire, which are even now in peril. If she refuses to act now that she has the assistance of two great nations like France and the United States, she may be compelled in a few months to reopen the Indian mints single handed, when the present dark clouds on the Indian horizon threaten a storm of unprecedented fury. This is no false alarm ; for the position of the Indian government is indeed critical. Lord George Hamilton, of course, declared in the House of Commons a short time ago that the credit of the Indian government never stood so high as it does now ; but the proof of the grave uneasiness felt about India, notwithstanding his denial, lies in the fact that whereas last year's 3 per cent. India loan was snapped up in the London market at 103, this year's $3\frac{1}{2}$ per cent. loan had to be offered at 97, instead of at 120, which would be the proportionate amount.

So, then, it is to the interest of England to accept the willing co-operation of her neighbors and to reopen the Indian mints. If, however, notwithstanding every entreaty, she proves false to her own and the world's interest, then she may learn to her cost that other nations can act without her, and may see the very thing come to pass in retribution which she has so long opposed. If she still continue to block the way, if Senator Wolcott's mission fail and the Indian mints remain unopened, then the last hope of India must lie in Mr. Bryan. If three years hence his efforts are crowned with success, which necessarily they must be if nothing is done meanwhile to solve the great question, he will perhaps find the gold worshippers of Europe, headed by England, waiting in trepidation in his antechamber to entreat an international agreement. That will be the hour of his triumph, and in the anticipation of it the three hundred millions of India will wish him God-speed with all the power of their stricken hearts.

A. S. GHOSH.